

IN RE: Annual Review of the Purchased )  
Gas Adjustments and Gas Purchasing ) ORDER  
Policies of United Cities Gas Company. )

Testimony was presented by United Cities by Bobby J. Cline and for the Commission Staff by Norbert Thomas and Brent L. Sires. The Consumer Advocate of South Carolina intervened in the proceeding.

1. Witness Cline testified that United Cities' PGA Rider has been working properly, that gas costs have been properly recorded in compliance with the orders of the Commission, and that United

Cities is not proposing any amendments to its PGA Rider in this proceeding. A letter with accompanying schedules was also introduced through Cline's testimony, by which United Cities acknowledged an overcollection of a total of (\$338,276.92) of gas costs, which included supplier refunds. United Cities also offered to refund this amount to its customers by way of a decrement of (\$.0166) per therm. Hearing Exhibit No. 1. The testimony and exhibit of Staff witness Thomas verified these figures. See Hearing Exhibit 3. Mr. Cline further testified about the operation of United Cities' Direct Sales Program. Witness Sires testified that United Cities' PGA Rider is designed to timely recover its cost of gas and that the PGA Rider provides United Cities the flexibility to retain its industrial load and to recover its full margin. Sires also testified as to the advantages of the Company's Direct Sales Program.

Based on the evidence set forth above, the Commission finds that United Cities has accounted for its gas costs in compliance with past Commission orders and that United Cities' current PGA is working properly under current conditions and should be continued.

2. Witness Cline testified that United Cities' gas purchasing policy is to purchase the least expensive gas available considering the need for security of supply and flexibility to meet the needs of its various customer classes. During the period under review in these proceedings, United Cities testified that it took the following steps to keep its gas costs as low as possible:

(a) United Cities has actively participated in all matters before FERC and other governmental agencies where action by those agencies could reasonably be expected to affect United Cities' rates and services to its customers.

(b) United Cities has converted an additional 3,783 dekatherms (dts) per day of its sales contract with Transco to firm transportation (FT), for a total of 5,407 dts per day in FT. FT services enable United Cities to take advantage of market responsive priced gas and to minimize its gas costs.

(c) United Cities has worked with its industrial customers to transport customer owned gas. Transportation service allows United Cities to compete with alternative fuels without the need to negotiate its regular rate schedules.

(d) United Cities has lowered its gas costs by purchasing spot gas in the summer when spot prices are lower and storing the gas in storage which United Cities owns or has under contract in order to lower its gas costs during the winter months when spot prices are higher.

Witness Sires testified that the Gas Department reviewed the current gas purchasing policies of United Cities and found that United Cities has continued its attempts to get the best terms available in its negotiations with suppliers and in proceedings before the Federal Energy Regulatory Commission (FERC). Witness Sires also testified that United Cities' direct sales program benefits all customers on its system because it (a) provides competitive customers the advantage of using natural gas, (b)

permits United Cities to recover its full approved margins, (c) allocates to the alternate fuel customers their pro-rata share of storage demand costs, balancing adjustment, demand costs, and volumetric take-or-pay charges, (d) allows United Cities to buy larger quantities of gas thereby increasing its competitive position in the natural gas market and (e) insures that direct sales customers will continue to buy natural gas and thereby helps to avoid margin losses that would have to be recovered from all customers through a margin recovery mechanism or a general rate proceeding.

Based on the evidence set forth above, the Commission finds that United Cities attempts to get the best terms available in its negotiations with suppliers and in proceedings with the FERC and is meeting its responsibility to maintain adequate supplies at just and reasonable costs to serve all of its customers. Therefore, the Commission concludes that the gas purchasing policies and procedures of United Cities are prudent and reasonable.

3. Further based on the evidence as stated above, this Commission finds that United Cities ought to be allowed to return the (\$338,276.92) in overcollections to its customers through the use of a decrement of (\$0.0166) per therm. This amounts to a reduction in rates of \$0.0166 per therm, and should be placed in effect as of Cycle One of October 1991, as per the Company's request. The Company should file new rate schedules accordingly within 30 days.

4. The Company should continue to maintain its records in

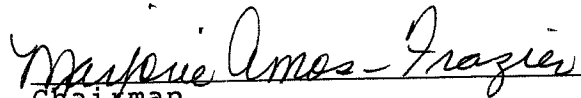
sufficient detail so as to allow the Commission to ensure that South Carolina customers are paying only their share of the actual operating expenses of UCG Energy Corporation, as per Order No. 90-779 of Docket No. 90-13-G, dated August 15, 1990.

IT IS SO ORDERED:

1. That United Cities has accounted for its gas costs in compliance with past Commission orders.
2. That United Cities' current PGA is working properly and should be continued.
3. That the gas purchasing practices of United Cities Gas Company be, and hereby are, found to be prudent and reasonable.
4. That United Cities' request to lower its rates by \$0.0166 per therm beginning with Cycle One of October 1991 is hereby approved. That United Cities shall file rate schedules reflecting this reduction within thirty (30) days of the date of this Order.
5. That United Cities shall continue to maintain records in sufficient detail to allow the Commission to ensure that South Carolina customers are paying only their share of the actual operating expenses of UCG Energy Corporation.

6. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
Chairman

ATTEST:

  
Executive Director

(SEAL)